



Highlights of [GAO-09-140](#), a report to congressional committees

## Why GAO Did This Study

The Ryan White Comprehensive AIDS Resources Emergency Act of 1990 (CARE Act) makes federal funds available to assist those infected and affected by HIV/AIDS. Through the CARE Act, the Health Resources and Services Administration (HRSA), part of the Department of Health and Human Services (HHS), awards grants (known as Part D grants) to provide services to women, infants, children, and youth with HIV/AIDS and their families. These grantees incur administrative expenses and indirect costs, such as rent and utilities. The Ryan White HIV/AIDS Treatment and Modernization Act of 2006 (RWTMA), which took effect in fiscal year 2007, capped at 10 percent the amount that Part D grantees could spend on administrative expenses. According to HRSA, there is no cap on indirect costs, but grantees must have an indirect cost rate to use funds for indirect costs.

RWTMA directed GAO to examine Part D spending. In this report GAO describes (1) the services that Part D grantees provide and what effect, if any, the administrative expense cap has had on those services and on grantee programs; (2) how Part D grantees report on administrative expenses, indirect costs, and compliance with the cap; and (3) how HRSA implemented the cap and grantees' views on that implementation.

GAO surveyed all Part D grantees, interviewed selected grantees, reviewed Part D grant applications and guidance, and interviewed HRSA officials.

To view the full product, including the scope and methodology, click on [GAO-09-140](#). For more information, contact Marcia Crosse at (202) 512-7114 or [crossem@gao.gov](mailto:crossem@gao.gov).

## RYAN WHITE CARE ACT

### First-Year Experiences under the Part D Administrative Expense Cap

## What GAO Found

Part D grantees reported in our survey that they provide a range of services to clients, and the majority of these grantees reported that they have not made changes to services in response to the administrative expense cap implemented in fiscal year 2007. These services included both medical services, such as outpatient health services, as well as support services, such as child care. The majority of the 83 grantees that responded to our survey reported that the cap has not affected the services they provide. However, 4 grantees reported increasing services and 3 grantees reported reducing client services in response to the cap. In addition, the majority of grantees also reported that the cap has had a negative effect on their Part D programs, even if it has not changed client services, because it has, for example, made it necessary for clinical staff to perform administrative tasks. In addition, about half of the grantees reported that not all of their Part D administrative expenses were covered by the 10 percent allowance.

Part D grantees report planned administrative expenses and indirect costs to HRSA and, starting in fiscal year 2009, HRSA will require additional reporting. In their grant applications, Part D grantees provide HRSA with budgets that include administrative expenses and indirect costs. Grantees must then update HRSA on any changes to that information, and some provide the results of independent financial audits. Starting in fiscal year 2009, HRSA will require all Part D grantees to report more detailed budget information at both the beginning and end of each year. In fiscal year 2007, the first year of the administrative expense cap, grantees reported to HRSA that they were in compliance with the cap. Grantees with approved indirect cost rates could include expenses such as rent and utilities in their indirect costs rather than in their administrative expenses and so were able to spend more than 10 percent of their Part D grants on such expenses.

Beginning in fiscal year 2007, HRSA took multiple steps to implement the administrative expense cap but, while some grantees reported that HRSA's guidance on how to implement the cap was helpful, others reported difficulties in implementing the cap due to unclear guidance from HRSA. HRSA reported revising its grant application guidance and developing training for both its staff and grantees in response to the cap. HRSA also included additional revisions related to the administrative expense cap in the fiscal year 2008 grant application guidance and plans to provide grantees with further guidance in the fiscal year 2009 application. While some grantees reported that HRSA's guidance was helpful, others reported receiving conflicting information. In the first year of the cap, some grantees also indicated a need for additional guidance on the administrative expense cap and reported that they sought such guidance from sources other than HRSA.

HHS provided technical comments on a draft of the report, which GAO incorporated as appropriate.